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UNCLAS SECTION 01 OF 03 DJIBOUTI 000023

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SUBJECT: SUMMARY OF DECEMBER ACTIVITIES AT U.S.

EMBASSY DJIBOUTI

1. (U) A review of items of interest in Djibouti for the month of December follows.

DJIBOUTI-SOMALIA RELATIONS

2. (SBU) Ministry of Foreign Affairs Secretary for Bilateral Relations Miriam Goumaneh updated visiting AF/E Deputy Director Phil Carter and Political Officer Erinn Reed on Djibouti-Somalia relations, as well as the Djiboutian Foreign Ministry perspective on relations with the U.S. on December 9. Goumaneh described recent actions by the Djiboutian government -- such as withdrawing from then almost immediately returning to Somali peace talks in Kenya -- as consistent with the long-term goal of establishing a peaceful Somalia. Carter agreed that Djibouti had played an important role and was well placed to continue being a positive influence on the process. Goumaneh stressed that Somalis needed to reach their own agreement and that it could not be imposed from the outside, but she believes Djibouti can act as a good-faith facilitator among the many factions.

3. (SBU) Carter assured Goumaneh that the U.S. shared the same goals for Somalia but questioned the feasibility of a process without TNG participation. He added that if the present peace conference failed, the U.S. would have to rethink the policy on engagement with Somaliland. In any case, the U.S. would continue to follow the lead of the African Union policy in recognizing a secession if and when all sides directly concerned agreed to separate amicably.

IMF TEAM VISIT

4. (SBU) An International Monetary Fund team headed by Ugo Fasano, Deputy Division Chief, ended its visit with a donors' meeting on December 13, 2003. POLOFF Erinn Reed and Econ Assistant Abdi Mahmoud attended the meeting which focused on the implementation of a Staff-Monitored Program (SMP) following the failure to fully implement economic reforms that accompanied the three-year poverty reduction and growth facility (PRGF) which expired in January 2003. The team reviewed the Djiboutian 2003 and 2004 budget and economic model and also focused on international competitiveness.

5. (SBU) During an earlier meeting with CDA Smith on December 10, 2003, the team inquired about the monies given to the Djiboutian government by the U.S. They found it hard to reconcile amounts in the 2003 and 2004 Djiboutian budgets with the amounts reported by the USG and other donors. The group believes Djibouti has a ways to go before it has a strong enough track record to merit another formal IMF program. If they choose to, the Djiboutians can use the SMP as an opportunity to prove to the IMF they are sufficiently dedicated to policy reform to receive a new agreement. The permanent representative from the IMF in Djibouti and several follow-on Article IV consultations will show whether the political will is really there.

6. (SBU) The IMF and other donors are critical of increased U.S. and French payments for military services. They believe these increases in funds available to the government of Djibouti have relieved the pressure to reduce government expenditures, especially the need to reduce public employees. During the two formal meetings as well as during two informal meals, the IMF team had the opportunity to review (and defend) some of their stock policy recommendations, particularly currency devaluation. The critique was that removing the 176.95 Djiboutian Franc to the U.S. dollar peg that has held since 1947 would not increase productivity. With no agriculture and no manufactures, Djibouti has only port and military services as foreign exchange earners. Neither of these is price sensitive. Some argued that with Djibouti's totally non-elastic productive center, a devaluation would only increase poverty and suffering.

DJIBOUTIAN OFFICIALS VISIT IRAN

17. (U) President Ismail Omar Guelleh and several cabinet officials made a state visit to the Islamic Republic of Iran (IRI). Subsequent public announcement stressed increased cooperation between the two governments, including a number of agreements in the economic, industrial and mining sectors. Specific aid to Djibouti included a loan for building a new office for the Djiboutian National Assembly and a commercial center. The Iranian Red Crescent promised to help in Djibouti's health program and in the education domain. Iran also promised scholarships to students majoring in computer science.

18. (U) Political discussions covered the African continent's conflicts and crises. President Khatami complimented Guelleh's effort to restore peace and stability in Somalia while the two parties condemned the atrocities and violence of the "Zionist government of Sharon" against the Palestinian people. They also condemned those who try to distort the image of Islam and lashed out against all acts of terrorism. On Iraq issues, the two countries reaffirmed the need to preserve Iraq's territorial integrity, national unity and called for withdrawal of "occupiers" to allow the people of Iraq to govern their own country. The two leaders called for peaceful application of nuclear technology for all members of the Non-Proliferation Treaty.

EXXON MOBIL'S CLAIM AGAINST THE DJIBOUTIAN JUDICIARY

19. (SBU) The three major Western oil companies operating in Djibouti - ExxonMobil, Shell and Total - are defending themselves in several lawsuits brought forth by the Government of Djibouti. ExxonMobil has written to the Embassy complaining that fines have been tallied against them based on blatantly altered documents overturning previous appeals. Evidence to support this charge was given to the Charge in a meeting with ExxonMobil representative Alain Adam on December 10, 2003. The Charge visited the Minister of Justice and was promised immediate action but since a follow-up visit with the Minister of the Presidency in charge of Foreign Investment on December 22, we have heard nothing.

110. (SBU) As soon as we receive a reaction on this issue, we will incorporate it in our National Trade Estimate reporting cable. Depending on the response, this incident might severely affect Djibouti's reputation with the international business community. We expect the Government will respond within the next several days, but we are not heartened by Minister of the Presidency Osman's plea we "not punish the entire country for the actions of a few individuals."

JOINT CHIEFS/ROBIN WILLIAMS' VISIT TO CAMP LEMONIER ON RTD

11. (SBU) Embassy Djibouti's PAO Tiffany Bartish provided footage, photos and a press release to Radio-TV Djibouti (RTD) of the Robin Williams USO Christmas visit to Camp Lemonier. RTD aired a full three minutes of footage that included the American Flag and a presentation to Williams of a man-skirt and a cow skull (a symbol of the Horn of Africa). Response has been positive from the Djiboutian public who might not have enjoyed some of William's comments about the locale -- "Not the end of the earth, but you can see it from here!" PAO Bartish ensured neither these nor Mr. Williams' bluer comments were on the tape.

OBO NEW EMBASSY COMPOUND SITE SELECTION TEAM FINDS THREE POSSIBILITIES

12. (U) Post hosted an OBO site selection committee headed by Thomas Grubb December 14 through 18. Three possible sites were found. All are within a kilometer of each other about half way between the present site in downtown Djibouti and the airport and Camp Lemonier.

FOOD AID CUT TO DJIBOUTI-BASED REFUGEES TO FORCE REFORMS

13. (SBU) USAID's REDSO office out of Nairobi has temporarily cut off U.S. food assistance for refugees to force the Djiboutian refugee offices to reform their operations, stop diversion of food assistance to security forces and kick start the almost moribund program of repatriation of Somalis from Somaliland. Following up on 03 Nairobi 5355, we believe that the cancellation of shipments for December and January will result in a re-organization of the Djiboutian refugee office ONARS.

14. (SBU) This coordinated tough love for the Djiboutian government seems to be working. First put in place in September when the U.S. and UN provided a common front on not supporting a new refugee camp made of formerly clandestine workers, the new step initiated by World Food Program officer Robert Gillenwater has already helped focus GoDj attention at the highest levels on the need to reform the refugee program. Gillenwater and UNHCR representative Collins Asare expect a new proposal from the Djiboutians in mid-January which will allow USAID to resume shipments. These would arrive in March or April and not effect actual food distribution to the refugees.

SMITH